



Jackson, Michigan

ANNUAL FINANCIAL REPORT

For The Years Ended June 30, 2008 and 2007



REHMANN ROBSON

Certified Public Accountants



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**JACKSON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

Management's discussion and analysis (MD&A) of Jackson Community College's financial statements provides an overview of the College's financial position as of June 30, 2008 and 2007 and its activities for the years then ended. The College's management has prepared and is responsible for the financial statements and the related footnote disclosures, along with the discussion and analysis.

Using the Annual Financial Report

This annual financial report includes this management's discussion and analysis, the report of independent auditors, the basic financial statements, and notes to financial statements. Following the basic financial statements and notes are supplementary schedules, including a Combining Balance Sheet and a Combining Statement of Revenues, Expenses, and Transfers and Changes in Net Assets. These supplementary schedules are required by the State of Michigan. Though the Government Accounting Standards Board (GASB) does not require this information for a fair and complete presentation, supplemental schedules do provide additional information regarding the various funds and activities of the College that is not presented in the basic, entity-wide statements.

Financial Highlights

The audited financial statements for Jackson Community College include the complete presentation of net assets and changes therein. However, the traditional emphasis has been on the General Fund, or the portion of the institution primarily concerned with instruction and its support. It is this fund that the State of Michigan uses in its appropriation allocation each year. The following revenues and expenses sections of this analysis detail this portion of our operations, considering its importance to the overall health of the College.

The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the College's finances is, "Is Jackson Community College as a whole better or worse off from a financial standpoint as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that attempts to answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. These two statements report the College's net assets and changes in them during each fiscal year presented.

One way to think of the College's net assets (the difference between assets and liabilities) is as a way to measure the College's health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. Many other non-financial factors, such as the trend in college applicants, student retention, condition of the buildings, and strength of the faculty need to be considered to assess the overall health of the College.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector institutions. All of the current and prior years' revenues and expenses are taken into account regardless of when cash is received or paid.

Condensed Balance Sheets

	June 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets	\$ 12,189,091	\$ 7,025,799
Capital assets	49,011,077	43,990,591
Noncurrent assets	<u>13,963,186</u>	<u>12,656,802</u>
Total assets	<u>\$ 75,163,354</u>	<u>\$ 63,673,192</u>
LIABILITIES		
Current liabilities	\$ 6,148,001	\$ 7,736,346
Noncurrent liabilities	<u>22,550,259</u>	<u>18,025,454</u>
Total liabilities	<u>28,698,260</u>	<u>25,761,800</u>
NET ASSETS		
Invested in capital assets, net of related debt	24,852,104	24,733,389
Restricted:		
Nonexpendable	527,981	527,740
Expendable	479,991	439,480
Jackson Community College Foundation	11,255,352	11,605,291
Unrestricted	<u>9,349,666</u>	<u>605,492</u>
Total net assets	<u>46,465,094</u>	<u>37,911,392</u>
Total liabilities and net assets	<u>\$ 75,163,354</u>	<u>\$ 63,673,192</u>

During the current fiscal year the State of Michigan paid the College the \$7,318,398 owed for the Capital Outlay Project that included the new William Atkinson Hall and renovations of a portion of Whiting Hall. This significantly improved the current asset position of the College. A \$6,000,000 bond was also issued for projects and renovations that increased the debt balance.

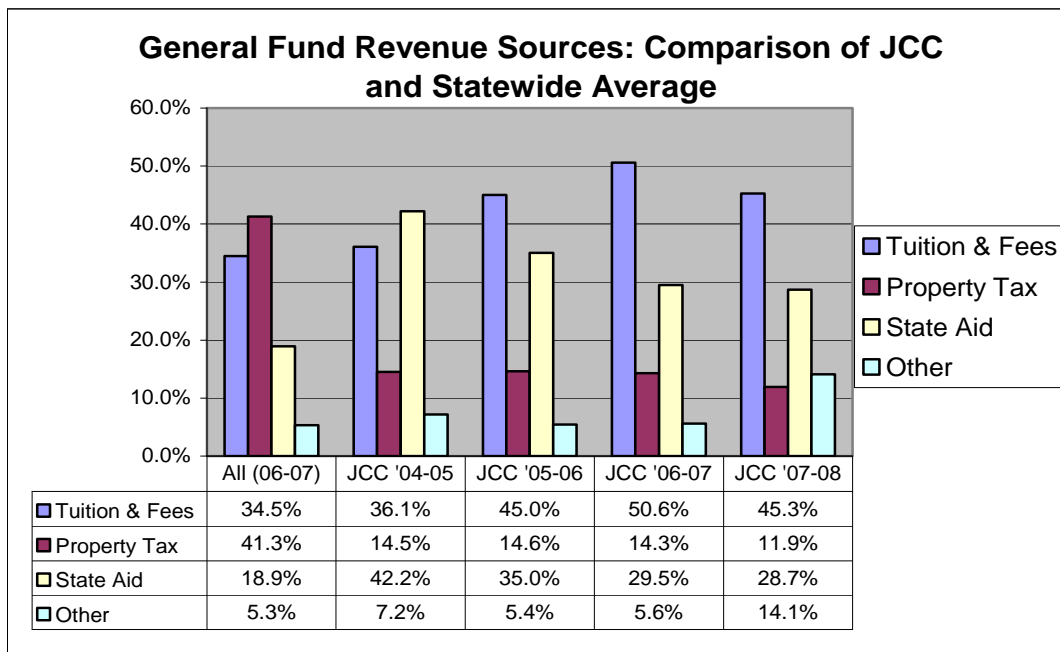
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues		
Tuition and fees, net	\$13,491,383	\$ 12,169,314
Grants and contracts	3,542,140	1,976,546
Potter Center activities	653,286	502,444
Other operating revenues	<u>2,416,382</u>	<u>1,571,794</u>
Total operating revenues	<u>20,103,191</u>	<u>16,220,098</u>
Operating expenses		
Instruction	16,711,669	15,334,037
Public service	872,984	787,089
Academic support	3,862,092	3,740,833
Student services	5,905,938	4,901,098
Administration	5,200,566	3,966,153
Operation and maintenance of plant	5,899,922	4,339,255
Depreciation and amortization	2,965,786	1,463,146
Technology	<u>2,056,082</u>	<u>1,378,128</u>
Total operating expenses	<u>43,475,039</u>	<u>35,909,739</u>
Operating loss	<u>(23,371,848)</u>	<u>(19,689,641)</u>
Nonoperating and other revenues		
State appropriations	12,359,900	9,891,200
Local property taxes	5,115,385	4,782,657
Pell grants	4,638,734	4,531,404
State capital appropriation	7,318,398	-
Other	<u>2,493,133</u>	<u>4,018,384</u>
Total nonoperating and other revenues	<u>31,925,550</u>	<u>23,223,645</u>
Increase in net assets	8,553,702	3,534,004
Net assets, beginning of year	<u>37,911,392</u>	<u>34,377,388</u>
Net assets, end of year	<u>\$46,465,094</u>	<u>\$37,911,392</u>

Revenues

GASB guidelines require State appropriations, property tax revenues and Federal Pell grant revenue to be reported as nonoperating revenues. Management views, and has always viewed, major revenues to the College such as State appropriations, local property taxes and Pell grants as operating revenues. These dollars would not be received by the College to fund operating expenses if educational classes were not offered. Therefore, management believes these revenues should be applied directly to the operating costs that are associated with them for internal analysis purposes.

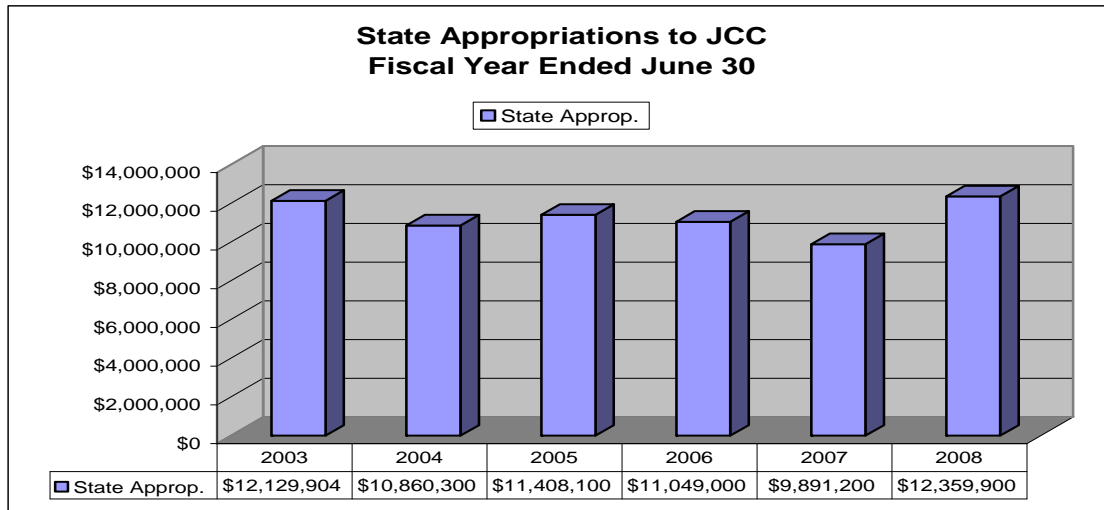
Each year the 28 Michigan public community colleges are required to submit data that is the basis of the Activities Classification Structure (ACS) Data Book. The Community College Appropriations Act assigns primary responsibility for data collection to the Michigan Department of Labor and Economic Growth. In addition to appropriations, the data in the ACS Data Book is used to derive comparisons among community colleges on a number of significant issues that relate to institutional concerns. The 2006-07 ACS Data Book reveals the following state averages for the year. Four years of Jackson Community College information is included for comparison. These are comparisons of general fund revenues, as these are the numbers used in the State reports. The College generated General Fund revenues of \$43,087,733 and \$36,721,702 in 2008 and 2007, respectfully.



Combining Statement from Audit	2008	2007	Difference	% of Total	% Change
Tuition & Fees	\$ 19,537,427	\$ 17,015,674	\$ 2,521,753	45.3%	14.8%
Discount	(6,046,044)	(4,846,360)	(1,199,684)	-14.0%	24.8%
Net Tuition & Fees	13,491,383	12,169,314	1,322,069	31.3%	10.9%
Federal Grants (includes PELL)	7,601,640	6,136,824	1,464,816	17.6%	23.9%
Property Tax	5,115,385	4,782,657	332,728	11.9%	7.0%
State Aid	12,359,900	9,891,200	2,468,700	28.7%	25.0%
Other	4,519,425	3,741,707	777,718	10.5%	20.8%
Total	\$ 43,087,733	\$ 36,721,702	\$ 6,366,031	100.0%	

State Appropriations

Accounting guidelines issued by the GASB obligate the College to report this revenue source as nonoperating income. For the year ended June 30, 2008 this source represented 25.0% of revenues⁽¹⁾. Generally, the State of Michigan includes the Appropriation to Community Colleges Act in its annual budget, which is approved just prior to the beginning of the State's fiscal year, October 1. The College also received \$1,021,400 of delayed payments from fiscal year 2007, in addition to the \$11,338,500 appropriations for fiscal year 2008.

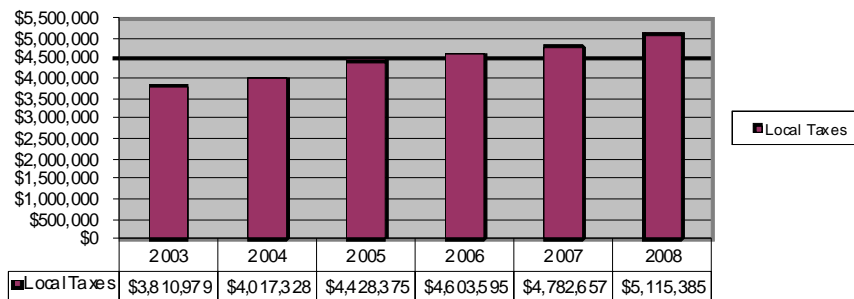


⁽¹⁾ According to the latest information from the Michigan Department of Career Development, only four other state community colleges depend on state appropriations to this degree: Alpena, Bay de Noc, Gogebic, and Southwestern Community Colleges.

Property Taxes

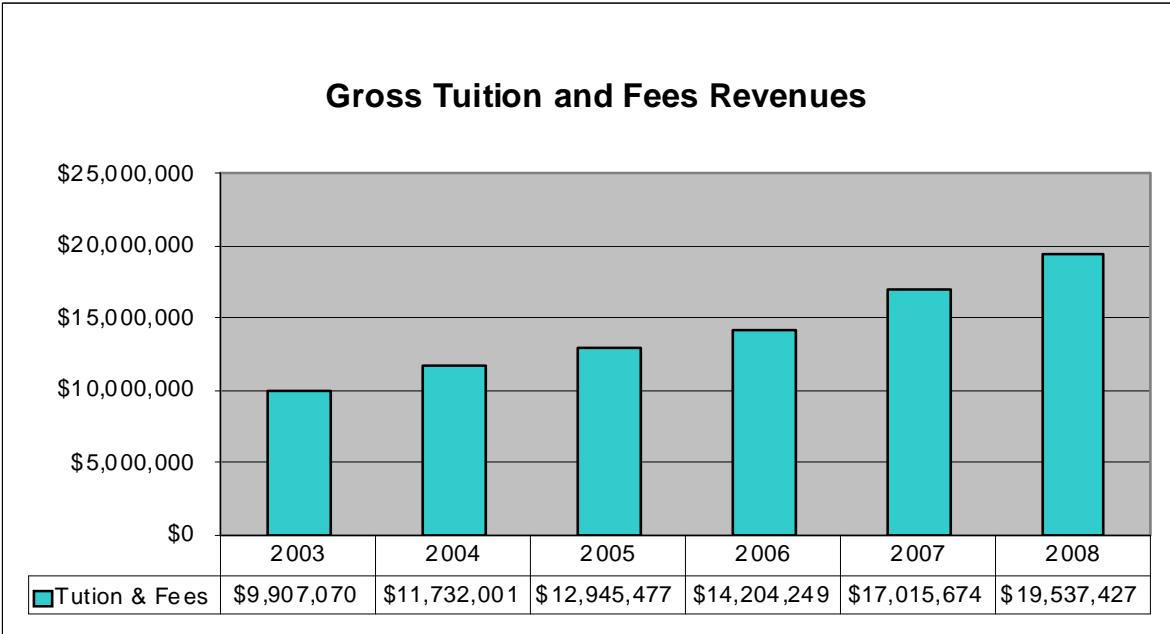
Only 11.9% of revenues, come from property taxes from Jackson County. The other community colleges like JCC that depend heavily on State Appropriations also have in common a low percentage of their General Fund revenue being derived from property taxes. The State average is 41.3%. No new attempt to adjust the voted millage rate was made during the current fiscal year. No millage increase has been approved by the voters of Jackson County since the charter millage in 1964. The current millage rate of 1.446 (December 2007) is the lowest in the State. **The increase in revenue is due solely to the taxable valuation in Jackson County.**

Property Tax Revenues to JCC

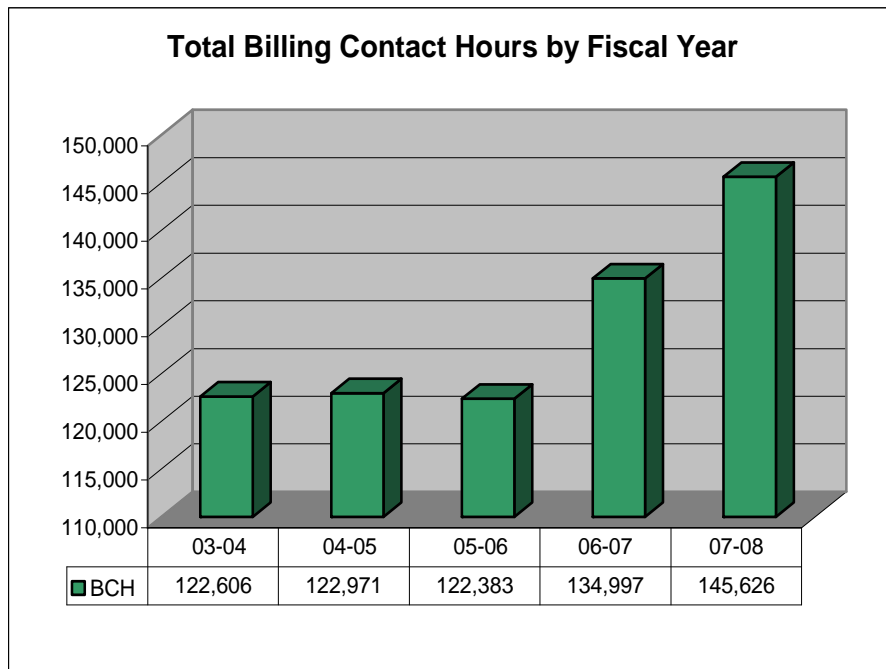


Tuition and Fees

As required by generally accepted accounting principles, the College netted \$6,046,044 and \$4,846,360 of scholarship allowances against tuition and fees representing amounts paid by grants, resulting in a "discount rate" of 30.9% and 28.5% for fiscal 2008 and 2007, respectively. For purposes of this analysis, to show trends over time, the following chart presents gross tuition and fees. The College experienced an increase of over 14.8% from this source of revenue in the current year as compared to fiscal 2007. The scholarship allowances also increased by \$1,199,684 or 24.8%.



There was 7.9% increase this year in the amount of billing hours generated, this plus the increase in tuition rates. Housing fees were new to the College this fiscal year and accounted for about \$440,000 of fees. All three terms experienced an increase, and the terms returned to the tradition of Fall being the largest of the three terms, while Spring topped 20,000 hours for the first time.



Tuition rates continued to rise, offsetting the small millage rate the local tax payers pay as detailed above.

Jackson Community College Enrollment by Semester and Fiscal Year				
Billing Hours				
	<u>Fall</u>	<u>Winter</u>	<u>Spring</u>	<u>Total</u>
Year Ended 2008	63,335	61,685	20,606	145,626
Year Ended 2007	57,799	58,093	19,105	134,997
Year Ended 2006	54,847	51,226	17,310	123,383
Year Ended 2005	54,055	51,560	17,356	122,971
Year Ended 2004	52,104	51,730	18,722	122,606

Hourly Tuition Rates			
	<u>In-district</u>	<u>Out-of-district</u>	<u>Out-of-State</u>
Fiscal Year 2007-2008	\$82.00	\$118.00	\$157.00
Fiscal Year 2006-2007	\$78.50	\$118.00	\$157.00
Fiscal Year 2005-2006	\$74.00	\$104.00	\$133.00

Other Operating Revenues

Contract training, the Potter Center activities, and Seminars and Workshops all saw increases in revenue during the year. Unfortunately expenses followed and net income from these activities remained similar to the previous year.

Expenses

Compared to statewide averages, JCC is very close to the state averages. Please note that the State of Michigan does not include depreciation as an “operating cost.” The College continues to increase its attention to the instructional efforts however, the growth in billing hours has this area increasing faster than the support categories.

The expenses under public service are higher than the statewide average due to the cultural affairs program that includes the music hall events.

As a % of Total Operating Expenses				
Jackson Community College				
	<u>ACS 2006-07</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Instructional	43.5%	47.7%	45.1%	40.8%
Information Tech	5.8%	5.9%	4.1%	5.1%
Public Service	1.2%	2.5%	2.3%	2.9%
Inst. Support	13.2%	8.0%	11.0%	9.6%
Std Services	11.9%	10.5%	14.4%	13.0%
Adm	12.0%	13.1%	10.3%	10.9%
Plant	<u>12.4%</u>	<u>12.3%</u>	<u>12.8%</u>	<u>17.7%</u>
Total	100.0%	100.0%	100.0%	100.0%

Statements of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide information about the College's cash receipts and cash payments during a fiscal year.

Major sources of cash include tuition and fees (\$13,171,661 in 2008 and \$12,134,692 in 2007), grants and contracts (\$3,334,586 in 2008 and \$2,114,151 in 2007), State appropriations (\$11,158,450 in 2008 and \$11,023,978 in 2007), and local property taxes (\$5,115,385 in 2008 and \$4,782,657 in 2007). The single, largest type of disbursement was compensation payments to our employees (\$27,380,394 in 2008 and \$24,722,309 in 2007).

Capital Assets

The components of the College's capital assets are as follows as of June 30:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,294,665	\$ 916,312
Infrastructure and land improvements	1,995,681	1,722,908
Buildings and improvements	59,684,458	35,696,348
Artwork	5,253,400	2,740,275
Equipment	8,788,288	8,297,191
Construction in progress	<u>287,094</u>	<u>20,897,160</u>
Total capital assets	77,303,586	70,270,194
Less accumulated depreciation	<u>28,292,509</u>	<u>26,279,603</u>
Capital assets, net	<u>\$ 49,011,077</u>	<u>\$ 43,990,591</u>

Additional information regarding the College's capital assets can be found in the notes to the financial statements.

Factors That Will Affect Our Future

The State of Michigan continues to explore new and different ways to allocate annual appropriations. This is of great concern to the College as the final impact to the College is unknown. With the State economy still in a decline, future cuts could happen as the State budget is adjusted during the fiscal year 2008-2009.

The College will continue to face fiscal challenges brought forth by the economy of the State of Michigan and the failure to convince voters to support additional millage requests. Management hopes are that the investment made in the infrastructure of the campus and the improvements of the program offerings will continue the strong enrollment trends.

In August of 2008 the College started construction of a second housing unit. This unit will house an additional 96 full time students. A bond for \$8,150,000 was issued in September 2008 to finance this project and rent revenue is anticipated to cover these annual expenses.

In September 2008 Public Act 511 was passed and signed by the Governor. This authorizes the College to start construction and renovation efforts for Whiting Hall. The \$22.9 million dollar effort will be paid equally by the State and the College. The College plans on selling bonds to finance its half and will increase tuition and fees to offset this cost.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

November 3, 2008

Board of Trustees
Jackson Community College
Jackson, Michigan

We have audited the accompanying balance sheets of **Jackson Community College** as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Jackson Community College Foundation, a blended component unit of the College, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Jackson Community College** as of June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 3, 2008 on our consideration of Jackson Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis ("MD&A") presented on pages 1 to 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

JACKSON COMMUNITY COLLEGE

BALANCE SHEETS

	June 30,	
	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,522,841	\$ 4,855,861
Tuition and other receivables, net	962,065	880,218
State appropriations receivable	2,061,544	860,094
Federal and state grants receivable	445,427	237,873
Inventories	43,851	43,137
Prepaid expenses and other assets	153,363	148,616
Total current assets	12,189,091	7,025,799
Investments	13,963,186	12,656,802
Campus property, plant and equipment, net	49,011,077	43,990,591
Total assets	\$ 75,163,354	\$ 63,673,192
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,391,419	\$ 3,332,533
Accrued compensation and benefits	1,846,109	2,011,345
Current portion of long-term debt	1,440,000	1,095,000
Accrued interest	168,715	136,749
Unearned revenue	1,301,758	1,160,719
Total current liabilities	6,148,001	7,736,346
Long-term debt, net of current portion	22,550,259	18,025,454
Total liabilities	28,698,260	25,761,800
Net assets		
Invested in capital assets, net of related debt	24,852,104	24,733,389
Restricted:		
Nonexpendable	527,981	527,740
Expendable	479,991	439,480
Jackson Community College Foundation	11,255,352	11,605,291
Unrestricted	9,349,666	605,492
Total net assets	46,465,094	37,911,392
Total liabilities and net assets	\$ 75,163,354	\$ 63,673,192

The accompanying notes are an integral part of these financial statements.

JACKSON COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2008	2007
Operating revenues		
Tuition and fees (net of scholarship allowances of \$6,046,044 and \$4,846,360)	\$ 13,491,383	\$ 12,169,314
Federal grants and contracts	2,962,906	1,605,420
State grants and contracts	579,234	371,126
Potter Center activities	653,286	502,444
Contract training	723,847	579,179
Seminars, workshops, and other	1,692,535	992,615
Total operating revenues	20,103,191	16,220,098
Operating expenses		
Instruction	16,711,669	15,334,037
Public service	872,984	787,089
Academic support	3,862,092	3,740,833
Student services	5,905,938	4,901,098
Administration	5,200,566	3,966,153
Operation and maintenance of plant	5,899,922	4,339,255
Depreciation and amortization	2,965,786	1,463,146
Technology	2,056,082	1,378,128
Total operating expenses	43,475,039	35,909,739
Operating loss	(23,371,848)	(19,689,641)
Nonoperating revenues (expenses)		
State appropriations	12,359,900	9,891,200
Local property taxes	5,115,385	4,782,657
Pell grants	4,638,734	4,531,404
Private gifts and grants	629,750	280,919
Investment (loss) income	(173,547)	2,234,566
Loss on disposal of property and equipment	(10,917)	(26,313)
Interest expense	(1,012,157)	(808,012)
Net nonoperating revenues	21,547,148	20,886,421
Other revenues		
State capital appropriation	7,318,398	-
Capital gifts and grants	2,513,125	1,671,820
Additions to permanent endowment funds	546,879	665,404
Total other revenues	10,378,402	2,337,224
Increase in net assets	8,553,702	3,534,004
Net assets, beginning of year	37,911,392	34,377,388
Net assets, end of year	\$ 46,465,094	\$ 37,911,392

The accompanying notes are an integral part of these financial statements.

JACKSON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2008	2007
Cash flows from operating activities		
Tuition and fees	\$ 13,171,661	\$ 12,134,692
Grants and contracts	3,334,586	2,114,151
Contract training	710,281	586,346
Payments to vendors	(14,062,824)	(7,372,490)
Payments to or on behalf of employees	(27,380,394)	(24,722,309)
Payments to students	(1,598,132)	(1,196,448)
Potter Center activities	647,922	466,180
Seminars, workshops and other	2,245,077	946,524
Net cash used in operating activities	(22,931,823)	(17,043,354)
Cash flows from noncapital financing activities		
State appropriations	11,158,450	11,023,978
Local property taxes	5,115,385	4,782,657
Pell grant receipts	4,638,734	4,531,404
Private gifts for endowment purposes	490,663	545,929
Gifts and contributions for other than capital purposes	767,974	156,211
FFELP loan receipts	7,225,158	5,358,446
FFELP loan disbursements	(7,225,158)	(5,358,446)
State scholarship and grant receipts	1,184,268	1,297,222
State scholarship and grant disbursements	(1,184,268)	(1,297,222)
Net cash provided by noncapital financing activities	22,171,206	21,040,179
Cash flows from capital and related financing activities		
Purchases and construction of campus property, plant and equipment	(7,995,148)	(22,861,798)
Proceeds from sale of property and equipment	11,472	-
Proceeds from issuance of capital debt, net of discount of \$28,485 in 2008	5,971,515	-
Principal paid on capital debt	(1,095,000)	(1,000,000)
Interest paid on capital debt	(1,015,386)	(804,860)
State capital appropriations	7,318,398	-
Capital gifts and grants proceeds	2,513,125	1,671,820
Net cash provided by (used in) capital and related financing activities	5,708,976	(22,994,838)
Cash flows from investing activities		
Proceeds from maturities of investments	8,941,158	32,353,234
Purchases of investments	(10,905,834)	(12,925,034)
Interest and dividends on investments	683,297	1,571,297
Net cash (used in) provided by investing activities	(1,281,379)	20,999,497
Net increase in cash and cash equivalents	3,666,980	2,001,484
Cash and cash equivalents, beginning of year	4,855,861	2,854,377
Cash and cash equivalents, end of year	\$ 8,522,841	\$ 4,855,861

The accompanying notes are an integral part of these financial statements.

JACKSON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30,	
	2008	2007
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (23,371,848)	\$ (19,689,641)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	2,965,786	1,463,146
Change in operating assets and liabilities that provided (used) cash:		
Tuition and other receivables, net	(160,967)	(114,051)
Federal and state grants receivable	(207,554)	137,605
Inventories	(714)	15,596
Prepaid expenses	(4,747)	(78,389)
Accounts payable	(2,127,582)	1,013,837
Accrued compensation and benefits	(165,236)	134,284
Unearned revenue	141,039	74,259
Net cash used in operating activities	\$ (22,931,823)	\$ (17,043,354)

The accompanying notes are an integral part of these financial statements.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. MISSION

Jackson Community College (the “College”) is a Michigan Community College whose mission is to assist learners in identifying and achieving their educational goals. The College offers four associate degrees, numerous certificate programs, and other educational programs while being accredited by the North Central Association of Colleges and Secondary Schools. The primary education centers for the College are its 500-acre main campus situated six miles south of Jackson, and extension centers located in Hillsdale and Adrian (Lenawee Center).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The College is governed by an elected seven member board of trustees. In evaluating how to define the College for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the Jackson Community College Foundation (the “Foundation”), described in Note 8, is included in the College’s reporting entity as a blended component unit.

Separate financial statements are issued for the Foundation that are prepared in accordance with the accounting standards established by the Financial Accounting Standards Board. These financial statements may be obtained from the College’s Business Office.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College follows all applicable GASB pronouncements. In addition, the College applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected to not apply FASB pronouncements issued after November 30, 1989.

The College prepares its annual financial statements in accordance with GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, an amendment of GASB Statement No. 34, as described below, and the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Audits of State and Local Governments (GASB 34 Edition)*. The financial statements also consider the provisions of the Michigan Department of Career Development's *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

Under the provisions of GASB Statement No. 35, the College is permitted to report as a special purpose government engaged only in business type activities ("BTA"). Business type activities are those that are financed in whole or in part by fees charged to external users in exchange for goods and services. BTA reporting requires the College to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund that includes management's discussion and analysis (MD&A), a balance sheet, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, notes to the financial statements, and other applicable RSI. Fund financial information is not required for BTA reporting.

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance whether entities associated with a primary government, although for which a primary government is not financially accountable, should be reported as component units, and presented in the primary government's financial statements based on the nature and significance of the relationship. Generally, Statement No. 39 requires inclusion of an organization that raises and holds economic resources for the direct benefit of the primary governmental unit. As a result, the College includes in its financial statements using a blended presentation the Jackson Community College Foundation (*see Note 8*).

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, money market accounts, and any certificates of deposit with an original maturity of three months or less, except that such investments purchased with endowment assets are classified as investments.

Investments

Investments are carried at fair value determined using quoted market prices.

The College endowment investment income spending policy is 100% of the realized earnings of each College endowment. The annual spending income allocation cannot reduce the original gift principal. There is no net appreciation on investments of donor-restricted College endowments included in net assets at June 30, 2008 or 2007. According to the law of the State of Michigan, the Board of Trustees may appropriate for expenditure for the uses and purposes for which an endowment is established an allocation of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

Investment gains accumulated by Foundation endowment funds may be used to support operations of the College at the discretion of the Foundation's Board of Directors.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Campus Property, Plant and Equipment

Campus property, plant and equipment, consisting of institutional physical properties used in College operations, are recorded at cost or, if acquired by gift, at fair market value at the date of acquisition. Building additions and improvements with a cost in excess of \$30,000 are capitalized if the life of the building is extended or square footage is added. Collections, such as works of art, are capitalized if such items are held for public exhibition, education, or research in furtherance of public service. Equipment with a cost in excess of \$1,000 with a useful life of more than one year is capitalized. Expenses for routine maintenance and ordinary repairs are expensed as incurred. Library books are expensed the year of purchase. Certain maintenance and replacement reserves have been established to provide for significant repair and maintenance costs to facilities.

Depreciation is provided for campus property, plant and equipment on a straight-line basis over the estimated useful life of the assets as follows:

<u>Classification</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Infrastructure and land improvements	15 years
Building improvements	10 years
Artwork	10 years
Furniture and fixtures	5 years
Computer equipment	3 years

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting -- Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Property taxes are recorded as revenue when received, which approximates the amounts when levied.

Operating revenues of the College consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, State appropriations, property taxes, and Federal Pell grant revenue are components of nonoperating and other revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

Sabbatical Leaves

In accordance with the Master Agreement with the Faculty Association, the College grants sabbatical leaves to various full-time instructors. The leaves are granted to enhance the personal and professional competence of the instructors who are required to return to the College for a period of two years. Compensation is accounted for as an expense in the fiscal year the leave is taken.

Other Compensated Absences

Other compensated absences represent the accumulated liability to be paid under the College's current vacation and terminated leave pay policies. As the amounts are due on demand at the time of employee termination, the liability is classified as current (accrued payroll, vacation and other compensation) in the accompanying balance sheets.

Reclassifications

Certain amounts as reported in the 2007 financial statements have been reclassified to conform with the 2008 presentation.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

State of Michigan statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services. The College is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The College's investment policy allows for all of these types of investments. The Foundation invests donations primarily in debt and equity securities.

The College's deposits and investments are included on the balance sheets under the following classifications as of June 30:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
<u>2008</u>			
Cash and cash equivalents	\$ 8,338,307	\$ 184,534	\$ 8,522,841
Investments	<u>2,112,061</u>	<u>11,851,125</u>	<u>13,963,186</u>
	<u>\$ 10,450,368</u>	<u>\$ 12,035,659</u>	<u>\$ 22,486,027</u>
<u>2007</u>			
Cash and cash equivalents	\$ 4,435,153	\$ 420,708	\$ 4,855,861
Investments	<u>985,440</u>	<u>11,671,362</u>	<u>12,656,802</u>
	<u>\$ 5,420,593</u>	<u>\$ 12,092,070</u>	<u>\$ 17,512,663</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The above amounts are categorized as follows at June 30:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
<u>2008</u>			
Bank deposits (checking, savings, cash sweep accounts, and certificates of deposit)	\$ 4,833,979	\$ 184,534	\$ 5,018,513
Petty cash	<u>2,020</u>	<u>-</u>	<u>2,020</u>
	4,835,999	184,534	5,020,533
Investments in government obligations	35,010	1,155,034	1,190,044
Investments in short-term funds	5,565,879	603,579	6,169,458
Investments in fixed income securities	-	1,783,853	1,783,853
Investments in equity securities	13,480	7,143,391	7,156,871
Investments in trusts and life insurance	<u>-</u>	<u>1,165,268</u>	<u>1,165,268</u>
Total	<u>\$ 10,450,368</u>	<u>\$ 12,035,659</u>	<u>\$ 22,486,027</u>
<u>2007</u>			
Bank deposits (checking, savings, cash sweep accounts, and certificates of deposit)	\$ 4,418,219	\$ 420,708	\$ 4,838,927
Petty cash	<u>1,820</u>	<u>-</u>	<u>1,820</u>
	4,420,039	420,708	4,840,747
Investments in government obligations	972,201	839,784	1,811,985
Investments in short-term funds	15,114	580,264	595,378
Investments in fixed income securities	-	1,757,584	1,757,584
Investments in equity securities	13,239	7,393,485	7,406,724
Investments in trusts and life insurance	<u>-</u>	<u>1,100,245</u>	<u>1,100,245</u>
Total	<u>\$ 5,420,593</u>	<u>\$ 12,092,070</u>	<u>\$ 17,512,663</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk. The College's investment policy does not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Foundation's investment policy limits the maximum maturity date of any debt security to six years. The maturities of the Foundation's debt securities generally represent a "laddered" approach with monies equally divided between two and six years.

The College and Foundation had the following debt securities and maturities as of June 30:

		Investment Maturities (In Years)				Credit Rating Range	
						Standard & Poor's	Moody's Investor's Services
2008	Fair Value	Less Than 1	1-5	6-10			
U.S. treasuries	\$ 950,720	\$ -	\$ 632,906	\$ 317,814	N/A	N/A	N/A
U.S. agencies	239,324	-	-	239,324	N/A	N/A	N/A
Money market funds	6,169,458	6,169,458	-	-	N/A	N/A	N/A
Corporate bonds	1,783,853	378,674	1,024,846	380,333	A- to AAA	A3 to AAA	
Total debt securities	\$ 9,143,355	\$ 6,548,132	\$ 1,657,752	\$ 937,471			
2007							
U.S. treasuries	\$ 738,475	\$ -	\$ 244,725	\$ 493,750	N/A	N/A	N/A
U.S. agencies	1,073,510	348,453	725,057	-	N/A	N/A	N/A
Money market funds	595,378	595,378	-	-	N/A	N/A	N/A
Corporate bonds	1,757,584	141,075	1,426,270	190,239	A- to AAA	A3 to AAA	
Total debt securities	\$ 4,164,947	\$ 1,084,906	\$ 2,396,052	\$ 683,989			

Credit Risk. The College's investment policy does not have specific limits in excess of state law on credit risk for allowable debt securities as identified above. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2008 and 2007. The Foundation's investment policy limits debt securities to issues rated "A" by Standard & Poor's rating service, with a minimum of all debt securities with a maturity exceeding one year be invested in U.S. Treasury obligations.

Concentration of Credit Risk. The College's investment policy does not have specific limits on concentration of credit risk. The Foundation's investment policy limits the cost basis of individual equity securities to 4% of its total investment portfolio.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College does not have a policy for deposit custodial credit risk, as neither does the Foundation. As of June 30, 2008 and 2007, \$2,432,422 and \$4,090,234 of the College's bank deposits balance of \$3,611,390 and \$5,577,828, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College does not have a policy for investment custodial credit risk, as neither does the Foundation. However, all investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased.

4. TUITION AND OTHER RECEIVABLES

Tuition and other receivables result from various revenue sources including student tuition and fee billings, auxiliary enterprise sales and contract training revenues.

Tuition and other receivables consist of the following amounts at June 30:

	<u>2008</u>	<u>2007</u>
Tuition and fees	\$ 877,690	\$ 650,213
Private grants	31,709	42,436
Reimbursements	128,374	147,518
Bookstore	41,553	41,573
Employees	5,736	8,324
Contributions receivable (Foundation)	<u>157,075</u>	<u>240,154</u>
Total	1,242,137	1,130,218
Less allowances	<u>280,072</u>	<u>250,000</u>
Net book value	<u>\$ 962,065</u>	<u>\$ 880,218</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

5. CAMPUS PROPERTY, PLANT AND EQUIPMENT, NET

The following table presents in summary fashion the changes in the components of campus property, plant and equipment for the years ended June 30:

<u>2008</u>	<u>Balance,</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance,</u> <u>June 30, 2008</u>
Capital Assets:					
Land	\$ 916,312	\$ 378,353	\$ -	\$ -	\$ 1,294,665
Infrastructure and land improvements	1,722,908	272,773	-	-	1,995,681
Buildings and improvements	35,696,348	-	-	23,988,110	59,684,458
Artwork	2,740,275	2,513,125	-	-	5,253,400
Furniture, fixtures and equipment	8,297,191	1,452,853	961,756	-	8,788,288
Construction in progress	20,897,160	3,378,044	-	(23,988,110)	287,094
Total property and equipment	70,270,194	7,995,148	961,756	-	77,303,586
Less accumulated depreciation	26,279,603	2,965,786	952,880	-	28,292,509
Campus property, plant and equipment, net	\$ 43,990,591	\$ 5,029,362	\$ 8,876	\$ -	\$ 49,011,077
<u>2007</u>	<u>Balance,</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance,</u> <u>June 30, 2007</u>
Capital Assets:					
Land	\$ 850,312	\$ 66,000	\$ -	\$ -	\$ 916,312
Infrastructure and land improvements	837,875	885,033	-	-	1,722,908
Buildings and improvements	35,563,823	132,525	-	-	35,696,348
Artwork	1,114,455	1,625,820	-	-	2,740,275
Furniture, fixtures and equipment	7,894,511	936,763	534,083	-	8,297,191
Construction in progress	606,036	20,291,124	-	-	20,897,160
Total property and equipment	46,867,012	23,937,265	534,083	-	70,270,194
Less accumulated depreciation	25,324,227	1,463,146	507,770	-	26,279,603
Campus property, plant and equipment, net	\$ 21,542,785	\$ 22,474,119	\$ 26,313	\$ -	\$ 43,990,591

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

Long-term debt consists of the following obligations as of June 30:

	Balance, July 1, 2007	Additions	Reductions	Change in Premium/ Discount	Balance, June 30, 2008	Current Portion
2008						
General Bonds, Series 1998	\$ 255,000	\$ -	\$ 255,000	\$ -	\$ -	\$ -
General Bonds, Series 2001	1,130,000	-	200,000	-	930,000	215,000
General Bonds, Series 2005	3,269,304	-	590,000	(15,860)	2,663,444	615,000
General Bonds, Series 2006	14,466,150	-	50,000	9,150	14,425,300	325,000
General Bonds, Series 2007	-	6,000,000	-	(28,485)	5,971,515	285,000
	\$ 19,120,454	\$ 6,000,000	\$ 1,095,000	\$ (35,195)	23,990,259	\$ 1,440,000
Less current portion					1,440,000	
Total long-term debt, net of current portion					\$ 22,550,259	
	Balance, July 1, 2006	Additions	Reductions	Change in Premium/ Discount	Balance, June 30, 2007	Current Portion
2007						
General Bonds, Series 1998	\$ 500,000	\$ -	\$ 245,000	\$ -	\$ 255,000	\$ 255,000
General Bonds, Series 2001	1,320,000	-	190,000	-	1,130,000	200,000
General Bonds, Series 2005	3,850,164	-	565,000	(15,860)	3,269,304	590,000
General Bonds, Series 2006	14,457,000	-	-	9,150	14,466,150	50,000
	\$ 20,127,164	\$ -	\$ 1,000,000	\$ (6,710)	19,120,454	\$ 1,095,000
Less current portion					1,095,000	
Total long-term debt, net of current portion					\$ 18,025,454	

Bonded Debt

\$2,000,000 General Bonds, Series 2001

Unsecured bonds mature serially in annual amounts ranging from \$215,000 to \$245,000 through May 2012, with interest charged at rates ranging from 3.65% to 4.55% per annum.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

\$4,300,000 General Bonds, Series 2005

Unsecured bonds mature serially in annual amounts ranging from \$615,000 to \$690,000 through 2012 with interest charges at rates ranging from 3.50% to 5.00% per annum.

\$14,640,000 General Bonds, Series 2006

Unsecured bonds mature serially in annual amounts ranging from \$325,000 to \$1,240,000 through 2026, with interest charges at rates ranging from 4.00% to 4.50% per annum.

\$6,000,000 General Bonds, Series 2007

Unsecured bonds mature in annual amounts ranging from \$285,000 to \$545,000 through 2023 with interest charges at rates ranging from 4.00% to 4.15% per annum.

All borrowed debt is to be paid out of operating funds.

Scheduled principal and interest requirements of long-term debt for years succeeding June 30, 2008, are summarized below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,440,000	\$1,013,304	\$ 2,453,304
2010	1,490,000	955,273	2,445,273
2011	1,560,000	894,982	2,454,982
2012	1,635,000	831,503	2,466,503
2013	1,015,000	768,205	1,783,205
2014-2018	5,910,000	3,184,013	9,094,013
2019-2023	7,444,805	1,817,548	9,262,353
2024-2026	<u>3,495,454</u>	<u>421,696</u>	<u>3,917,150</u>
Totals	<u>\$23,990,259</u>	<u>\$9,886,524</u>	<u>\$33,876,783</u>

During fiscal 2004, the College entered into a lease agreement with the State of Michigan as part of the Capital Outlay program offered by the State Building Authority. The State appropriated approximately \$1,500,000 toward the construction of the College's Lenawee Center. During fiscal 2008, the College entered into a similar lease as part of the construction of the new Atkinson Hall building and the renovation of a section of Whiting Hall. The net State contribution in fiscal 2008 amounted to \$7,318,398. The appropriations were funded by the issuance of bonds by the State Building Authority. In return, the College has deeded the buildings to the State Building Authority as collateral for the bondholders.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College and the State of Michigan are leasing the buildings from the State Building Authority for the period that the bonds for the buildings are being repaid by the State Building Authority. These lease payments are made out of the State of Michigan general operating budget. The College includes the buildings as part of its total investment in physical plant as capital leases as the College will obtain title to the buildings at the end of the leases. No corresponding obligations have been recorded since there are no payments due by the College under these lease agreements.

7. PENSION PLANS

Defined Benefit Plan

Plan Description

Jackson Community College contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. Substantially all College employees are eligible to participate in the MPERS, which provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. State of Michigan statute assigns the authority to establish and amend benefit provisions to the State legislature. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The College is required to contribute at a current rate of 10.17% of annual covered payroll. The contribution requirements of plan members and the College are established by Michigan State statute and may be amended only by action of the State Legislature.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating community colleges. Participating community colleges are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS (current rate of 6.55% of annual covered payroll). The MPSERS board of trustees sets the employer contributions based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The College's contributions to the MPSERS healthcare plan for the years ended June 30, 2008, 2007 and 2006 equaled the required contributions each year. Thus, the College did not book a liability for this postemployment healthcare.

The College's total contributions to MPSERS for the years ended June 30, 2008, 2007, and 2006 were approximately \$2,550,000, \$1,704,000, and \$1,843,000.

On June 6, 2007, the College received a credit from MPSERS for the amount of \$322,500 as a result of Executive Order 2007-3. This credit is included in the total expense reported above for the fiscal ended June 30, 2007.

Defined Contribution Plan

Effective July 1, 1996, the College established the Jackson Community College Optional Retirement Program ("JCCORP"), a defined contribution pension plan qualified under Section 414(d) of the Internal Revenue Code. Under this plan, eligible employees as of July 1, 1996 and who are members of MPSERS, may continue their membership in MPSERS or may elect to participate in the plan and retain limited membership in the retirement system. An employee becoming eligible after July 1, 1996 may elect to become a member of MPSERS or to participate in JCCORP. Benefit provisions and contribution requirements are established and may be amended by the College.

Required contributions are made by the College and the participants at a rate of 14% and 4% of eligible compensation, respectively. For the years ended June 30, 2008 and 2007, the cost of this plan to the College was approximately \$633,000 and \$580,000 and participant contributions in the form of payroll deductions were approximately \$186,000 and \$153,000, respectively.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

8. RELATED PARTIES

Jackson Community College Foundation

The Jackson Community College Foundation (the “Foundation”) is a separate, legal nonprofit corporation formed for the purpose of receiving private funds for the sole benefit of the College. The net assets and financial activities of the Foundation are included in the financial statements of the College as a blended component unit.

The net assets of the Foundation consist of the following amounts as of June 30:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 2,533,411	\$ 3,007,711
Temporarily restricted	1,479,298	1,928,261
Permanently restricted	<u>7,242,643</u>	<u>6,669,319</u>
Total	<u>\$ 11,255,352</u>	<u>\$11,605,291</u>

The College provides personnel support, facilities and equipment to the Foundation.

Dahlem Environmental Center

In August 2005, the College spun off its Dahlem Environmental Center (the “Center”) operations by entering into an agreement with The Dahlem Conservancy (the “Conservancy”), an independent, nonprofit organization, and the private donor of the Center’s property. Under this agreement, the College leases the Center’s property to the Conservancy for a term of 30 years at an annual amount of \$1. The agreement also states that any endowment gifts received for the benefit of the Center will be restricted support of the Foundation, and the Foundation annually distribute 5% of the total endowment funds held for the benefit of the Center to the Conservancy in quarterly installments.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

9. UNRESTRICTED NET ASSETS

The College, through Board of Trustees action via the budget process, has designated the use of unrestricted net assets for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Major maintenance and equipment replacement	\$ 5,056,358	\$ (3,038,798)
Future operations	3,556,356	2,909,374
Student loans	<u>40,945</u>	<u>39,680</u>
Total unrestricted and designated	8,653,659	(89,744)
Unrestricted and undesignated	<u>696,007</u>	<u>695,236</u>
Total unrestricted net assets	<u>\$ 9,349,666</u>	<u>\$ 605,492</u>

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2008 and 2007, the College carried commercial insurance to cover all risks of losses. The College has had no settled claims resulting from these risks that exceeded its commercial coverage limits in any of the past three fiscal years.

11. COMMITMENTS, UNCERTAINTIES AND OTHER MATTERS

Capital Projects

The College has begun the construction of a second student-living apartment complex. It will be completed in time for the 2009-2010 academic year. The total project is budgeted at \$8,000,000. The 2008 Series Bonds (unsecured) in the amount of \$8,150,000 were issued in September 2008 to cover these costs. The bonds mature in September 2028 with an average interest rate of 4.30%. The amount incurred for this project was \$280,000 at June 30, 2008.

Government Programs

The College conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies. Any liabilities for reimbursements which may arise as the result of these audits is not believed to be material.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Employment Contract

The College is obligated pursuant to the terms of the College President's employment contract to provide housing in which the President is required to reside, reimburse certain expenses, and establish a deferred compensation plan on the President's behalf. The employment agreement states that the College will maintain the buildings and grounds and pay all utilities furnished for the President's residential housing, annually reimburse certain expenses connected with the Office of the President and annually provide an agreed upon amount of deferred compensation payable upon termination of the President's tenure. The President's employment agreement is currently scheduled to expire on June 30, 2011.

Other Matters

In September 2008 Public Act 511 was passed and signed by the Governor of Michigan. This authorizes the College to start construction and renovation efforts for Whiting Hall. The \$22.9 million effort will be paid equally by the State and the College. The College plans to sell bonds to finance its half and will increase tuition and fees to offset this cost.

The College may be subject to various legal proceedings and claims which arise in the ordinary course of its business. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be immaterial.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

November 3, 2008

Board of Trustees
Jackson Community College
Jackson, Michigan

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the 2008 and 2007 basic financial statements and, accordingly, we express no opinion on it.

Rehmann Robson

SUPPLEMENTARY INFORMATION

JACKSON COMMUNITY COLLEGE
COMBINING BALANCE SHEET
JUNE 30, 2008

	General Fund	Designated Fund	Restricted Funds	Student Loan Funds	Endowment Funds	Plant Funds	College Total	Foundation	GASB 39 Elimination Entries	Combined Total
ASSETS										
Current assets										
Cash and cash equivalents	\$ 1,592,702	\$ 1,501,522	\$ 231,096	\$ 39,287	\$ -	\$ 4,973,700	\$ 8,338,307	\$ 184,534	\$ -	\$ 8,522,841
Tuition and other receivables, net	792,425	2,675	1,284	8,606	-	-	804,990	157,075	-	962,065
State appropriations receivable	2,061,544	-	-	-	-	-	2,061,544	-	-	2,061,544
Federal and state grants receivable	5,434	-	439,993	-	-	-	445,427	-	-	445,427
Inventories	43,851	-	-	-	-	-	43,851	-	-	43,851
Prepaid expenses and other assets	153,363	-	-	-	-	-	153,363	-	-	153,363
Advances to Jackson Community College Foundation	-	-	-	-	471,178	243,491	714,669	-	(714,669)	-
Total current assets	4,649,319	1,504,197	672,373	47,893	471,178	5,217,191	12,562,151	341,609	(714,669)	12,189,091
Investments	-	2,055,258	-	-	56,803	-	2,112,061	11,851,125	-	13,963,186
Campus property, plant and equipment, net	-	-	-	-	-	49,011,077	49,011,077	-	-	49,011,077
Total assets	\$ 4,649,319	\$ 3,559,455	\$ 672,373	\$ 47,893	\$ 527,981	\$ 54,228,268	\$ 63,685,289	\$ 12,192,734	\$ (714,669)	\$ 75,163,354
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable	\$ 915,109	\$ 3,099	\$ 89,666	\$ -	\$ -	\$ 160,832	\$ 1,168,706	\$ 222,713	\$ -	\$ 1,391,419
Accrued compensation and benefits	1,736,445	-	109,664	-	-	-	1,846,109	-	-	1,846,109
Current portion of long-term debt	-	-	-	-	-	1,440,000	1,440,000	-	-	1,440,000
Accrued interest	-	-	-	-	-	168,715	168,715	-	-	168,715
Unearned revenue	1,301,758	-	-	-	-	-	1,301,758	-	-	1,301,758
Funds advanced from Jackson Community College	-	-	-	-	-	-	-	714,669	(714,669)	-
Total current liabilities	3,953,312	3,099	199,330	-	-	1,769,547	5,925,288	937,382	(714,669)	6,148,001
Long-term debt, net of current portion	-	-	-	-	-	22,550,259	22,550,259	-	-	22,550,259
Total liabilities	3,953,312	3,099	199,330	-	-	24,319,806	28,475,547	937,382	(714,669)	28,698,260
Net assets										
Invested in capital assets, net of related debt	-	-	-	-	-	24,852,104	24,852,104	-	-	24,852,104
Restricted:										
Nonexpendable	-	-	-	-	527,981	-	527,981	-	-	527,981
Expendable	-	-	473,043	6,948	-	-	479,991	-	-	479,991
Jackson Community College Foundation	-	-	-	-	-	-	-	11,255,352	-	11,255,352
Unrestricted	696,007	3,556,356	-	40,945	-	5,056,358	9,349,666	-	-	9,349,666
Total net assets	696,007	3,556,356	473,043	47,893	527,981	29,908,462	35,209,742	11,255,352	-	46,465,094
Total liabilities and net assets	\$ 4,649,319	\$ 3,559,455	\$ 672,373	\$ 47,893	\$ 527,981	\$ 54,228,268	\$ 63,685,289	\$ 12,192,734	\$ (714,669)	\$ 75,163,354

See independent auditors' report on supplementary information.

JACKSON COMMUNITY COLLEGE
COMBINING BALANCE SHEET
JUNE 30, 2007

	General Fund	Designated Fund	Restricted Funds	Student Loan Funds	Endowment Funds	Plant Funds	College Total	Foundation	GASB 39 Elimination Entries	Combined Total
ASSETS										
Current assets										
Cash and cash equivalents	\$ 1,714,043	\$ 2,909,410	\$ 290,146	\$ 43,568	\$ -	\$ (522,014)	\$ 4,435,153	\$ 420,708	\$ -	\$ 4,855,861
Tuition and other receivables, net	628,719	3,036	100	8,209	-	-	640,064	240,154	-	880,218
State appropriations receivable	860,094	-	-	-	-	-	860,094	-	-	860,094
Federal and state grants receivable	2,711	-	235,162	-	-	-	237,873	-	-	237,873
Inventories	43,137	-	-	-	-	-	43,137	-	-	43,137
Prepaid expenses and other assets	148,616	-	-	-	-	-	148,616	-	-	148,616
Advances to Jackson Community College Foundation	-	-	-	-	471,178	243,491	714,669	-	(714,669)	-
Total current assets	3,397,320	2,912,446	525,408	51,777	471,178	(278,523)	7,079,606	660,862	(714,669)	7,025,799
Investments	928,878	-	-	-	56,562	-	985,440	11,671,362	-	12,656,802
Campus property, plant and equipment, net	-	-	-	-	-	43,990,591	43,990,591	-	-	43,990,591
Total assets	\$ 4,326,198	\$ 2,912,446	\$ 525,408	\$ 51,777	\$ 527,740	\$ 43,712,068	\$ 52,055,637	\$ 12,332,224	\$ (714,669)	\$ 63,673,192
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable	\$ 552,762	\$ 3,072	\$ 4,161	\$ -	\$ -	\$ 2,760,274	\$ 3,320,269	\$ 12,264	\$ -	\$ 3,332,533
Accrued compensation and benefits	1,917,481	-	93,864	-	-	-	2,011,345	-	-	2,011,345
Current portion of long-term debt	-	-	-	-	-	1,095,000	1,095,000	-	-	1,095,000
Accrued interest	-	-	-	-	-	136,749	136,749	-	-	136,749
Unearned revenue	1,160,719	-	-	-	-	-	1,160,719	-	-	1,160,719
Funds advanced from Jackson Community College	-	-	-	-	-	-	-	714,669	(714,669)	-
Total current liabilities	3,630,962	3,072	98,025	-	-	3,992,023	7,724,082	726,933	(714,669)	7,736,346
Long-term debt, net of current portion	-	-	-	-	-	18,025,454	18,025,454	-	-	18,025,454
Total liabilities	3,630,962	3,072	98,025	-	-	22,017,477	25,749,536	726,933	(714,669)	25,761,800
Net assets										
Invested in capital assets, net of related debt	-	-	-	-	-	24,733,389	24,733,389	-	-	24,733,389
Restricted:										
Nonexpendable	-	-	-	-	527,740	-	527,740	-	-	527,740
Expendable	-	-	427,383	12,097	-	-	439,480	-	-	439,480
Jackson Community College Foundation	-	-	-	-	-	-	-	11,605,291	-	11,605,291
Unrestricted	695,236	2,909,374	-	39,680	-	(3,038,798)	605,492	-	-	605,492
Total net assets	695,236	2,909,374	427,383	51,777	527,740	21,694,591	26,306,101	11,605,291	-	37,911,392
Total liabilities and net assets	\$ 4,326,198	\$ 2,912,446	\$ 525,408	\$ 51,777	\$ 527,740	\$ 43,712,068	\$ 52,055,637	\$ 12,332,224	\$ (714,669)	\$ 63,673,192

See independent auditors' report on supplementary information.

JACKSON COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	General Fund	Designated Fund	Restricted Funds	Student Loan Funds	Endowment Funds	Plant Funds	GASB 35 Elimination Entries	College Total	Foundation	GASB 39 Elimination Entries	Combined Total
Operating revenues											
Tuition and fees (net of scholarship allowance of \$6,046,044)	\$ 19,537,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,046,044)	\$ 13,491,383	\$ -	\$ -	\$ 13,491,383
Federal grants and contracts	17,434	-	2,945,472	-	-	-	-	2,962,906	-	-	2,962,906
State grants and contracts	-	-	579,234	-	-	-	-	579,234	-	-	579,234
Potter Center activities	653,286	-	-	-	-	-	-	653,286	-	-	653,286
Contract training	723,847	-	-	-	-	-	-	723,847	-	-	723,847
Seminars, workshops and other	655,300	338,120	997,437	1,289	-	133,200	-	2,125,346	3,197	(436,008)	1,692,535
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	5,482,023	(5,482,023)	-	-	-	-
Total operating revenues	21,587,294	338,120	4,522,143	1,289	-	5,615,223	(11,528,067)	20,536,002	3,197	(436,008)	20,103,191
Operating expenses											
Instruction	16,711,669	-	-	-	-	-	-	16,711,669	-	-	16,711,669
Public service	872,984	-	-	-	-	-	-	872,984	-	-	872,984
Academic support	2,804,408	137,288	915,223	5,173	-	-	-	3,862,092	-	-	3,862,092
Student services	3,663,897	55,324	8,232,761	-	-	-	(6,046,044)	5,905,938	-	-	5,905,938
Administration	4,626,875	-	91,193	-	-	-	-	4,718,068	918,506	(436,008)	5,200,566
Operation and maintenance of plant	4,310,339	-	17,898	-	-	7,053,708	(5,482,023)	5,899,922	-	-	5,899,922
Depreciation and amortization	-	-	-	-	-	2,965,786	-	2,965,786	-	-	2,965,786
Technology	2,056,082	-	-	-	-	-	-	2,056,082	-	-	2,056,082
Total operating expenses	35,046,254	192,612	9,257,075	5,173	-	10,019,494	(11,528,067)	42,992,541	918,506	(436,008)	43,475,039
Operating (loss) income	(13,458,960)	145,508	(4,734,932)	(3,884)	-	(4,404,271)	-	(22,456,539)	(915,309)	-	(23,371,848)
Nonoperating revenues (expenses)											
State appropriations	11,338,500	1,021,400	-	-	-	-	-	12,359,900	-	-	12,359,900
Local property taxes	5,115,385	-	-	-	-	-	-	5,115,385	-	-	5,115,385
Pell grants	-	-	4,638,734	-	-	-	-	4,638,734	-	-	4,638,734
Private gifts and grants	4,650	11,000	113,500	-	-	-	-	129,150	500,600	-	629,750
Investment (loss) income	80,782	85,495	8,355	-	2,133	131,797	-	308,562	(482,109)	-	(173,547)
Loss on disposal of equipment	-	-	-	-	-	(10,917)	-	(10,917)	-	-	(10,917)
Interest expense	-	-	-	-	-	(1,012,157)	-	(1,012,157)	-	-	(1,012,157)
Net nonoperating revenues (expenses)	16,539,317	1,117,895	4,760,589	-	2,133	(891,277)	-	21,528,657	18,491	-	21,547,148
Other revenues											
State capital appropriation	-	-	-	-	-	7,318,398	-	7,318,398	-	-	7,318,398
Capital gifts and grants	-	-	-	-	-	2,513,125	-	2,513,125	-	-	2,513,125
Additions to permanent endowment funds	-	-	-	-	-	-	-	-	546,879	-	546,879
Total other revenues	-	-	-	-	-	9,831,523	-	9,831,523	546,879	-	10,378,402
Increase (decrease) in net assets	3,080,357	1,263,403	25,657	(3,884)	2,133	4,535,975	-	8,903,641	(349,939)	-	8,553,702
Transfers in (out)	(3,079,586)	(616,421)	20,003	-	(1,892)	3,677,896	-	-	-	-	-
Net increase (decrease) in net assets	771	646,982	45,660	(3,884)	241	8,213,871	-	8,903,641	(349,939)	-	8,553,702
Net assets, beginning of year	695,236	2,909,374	427,383	51,777	527,740	21,694,591	-	26,306,101	11,605,291	-	37,911,392
Net assets, end of year	\$ 696,007	\$ 3,556,356	\$ 473,043	\$ 47,893	\$ 527,981	\$ 29,908,462	\$ -	\$ 35,209,742	\$ 11,255,352	\$ -	\$ 46,465,094

See independent auditors' report on supplementary information.

JACKSON COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

	General Fund	Designated Fund	Restricted Funds	Student Loan Funds	Endowment Funds	Plant Funds	GASB 35 Elimination Entries	College Total	Foundation	GASB 39 Elimination Entries	Combined Total
Operating revenues											
Tuition and fees (net of scholarship allowance of \$4,846,360)	\$ 17,015,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,846,360)	\$ 12,169,314	\$ -	\$ -	\$ 12,169,314
Federal grants and contracts	17,711	-	1,587,709	-	-	-	-	1,605,420	-	-	1,605,420
State grants and contracts	-	-	371,126	-	-	-	-	371,126	-	-	371,126
Potter Center activities	502,444	-	-	-	-	-	-	502,444	-	-	502,444
Contract training	579,179	-	-	-	-	-	-	579,179	-	-	579,179
Seminars, workshops and other	559,908	88,182	706,438	814	-	17,375	-	1,372,717	15,535	(395,637)	992,615
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	22,112,920	(22,112,920)	-	-	-	-
Total operating revenues	18,674,916	88,182	2,665,273	814	-	22,130,295	(26,959,280)	16,600,200	15,535	(395,637)	16,220,098
Operating expenses											
Instruction	15,334,037	-	-	-	-	-	-	15,334,037	-	-	15,334,037
Public service	787,089	-	-	-	-	-	-	787,089	-	-	787,089
Academic support	2,675,084	401,292	664,457	-	-	-	-	3,740,833	-	-	3,740,833
Student services	2,891,971	61,943	6,793,544	-	-	-	(4,846,360)	4,901,098	-	-	4,901,098
Administration	3,434,273	-	62,487	-	-	-	-	3,496,760	865,030	(395,637)	3,966,153
Operation and maintenance of plant	4,157,940	-	31,164	-	-	22,263,071	(22,112,920)	4,339,255	-	-	4,339,255
Depreciation and amortization	-	-	-	-	-	1,463,146	-	1,463,146	-	-	1,463,146
Technology	1,378,128	-	-	-	-	-	-	1,378,128	-	-	1,378,128
Total operating expenses	30,658,522	463,235	7,551,652	-	-	23,726,217	(26,959,280)	35,440,346	865,030	(395,637)	35,909,739
Operating (loss) income	(11,983,606)	(375,053)	(4,886,379)	814	-	(1,595,922)	-	(18,840,146)	(849,495)	-	(19,689,641)
Nonoperating revenues (expenses)											
State appropriations	9,891,200	-	-	-	-	-	-	9,891,200	-	-	9,891,200
Local property taxes	4,782,657	-	-	-	-	-	-	4,782,657	-	-	4,782,657
Pell	-	-	4,531,404	-	-	-	-	4,531,404	-	-	4,531,404
Private gifts and grants	4,251	-	3,430	-	-	-	-	7,681	273,238	-	280,919
Investment income	91,336	324,409	39,853	-	5,592	447,370	-	908,560	1,326,006	-	2,234,566
Loss on disposal of equipment	-	-	-	-	-	(26,313)	-	(26,313)	-	-	(26,313)
Interest expense	-	-	-	-	-	(808,012)	-	(808,012)	-	-	(808,012)
Net nonoperating revenues (expenses)	14,769,444	324,409	4,574,687	-	5,592	(386,955)	-	19,287,177	1,599,244	-	20,886,421
Other revenues											
Capital gifts and grants	-	-	-	-	-	1,671,820	-	1,671,820	-	-	1,671,820
Additions to permanent endowment funds	-	-	-	-	-	-	-	-	665,404	-	665,404
Total other revenues	-	-	-	-	-	1,671,820	-	1,671,820	665,404	-	2,337,224
Increase (decrease) in net assets	2,785,838	(50,644)	(311,692)	814	5,592	(311,057)	-	2,118,851	1,415,153	-	3,534,004
Transfers in (out)	(2,784,388)	(379,284)	33,845	-	(1,573)	3,131,400	-	-	-	-	-
Net increase (decrease) in net assets	1,450	(429,928)	(277,847)	814	4,019	2,820,343	-	2,118,851	1,415,153	-	3,534,004
Net assets, beginning of year	693,786	3,339,302	705,230	50,963	523,721	18,874,248	-	24,187,250	10,190,138	-	34,377,388
Net assets, end of year	\$ 695,236	\$ 2,909,374	\$ 427,383	\$ 51,777	\$ 527,740	\$ 21,694,591	\$ -	\$ 26,306,101	\$ 11,605,291	\$ -	\$ 37,911,392

See independent auditors' report on supplementary information.

JACKSON COMMUNITY COLLEGE GENERAL FUND

COMPARISON OF ACTUAL AND BUDGETED GENERAL FUND REVENUES, EXPENDITURES AND TRANSFERS

YEAR ENDED JUNE 30, 2008

	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
REVENUES			
State appropriations	\$ 11,338,500	\$ 11,338,500	\$ -
Tuition and fees	19,537,427	18,787,000	750,427
Local property taxes	5,115,385	4,860,000	255,385
Federal grants	17,434	18,000	(566)
Investment income	80,782	100,000	(19,218)
Potter Center revenues	653,286	730,000	(76,714)
Contract training	723,847	1,140,000	(416,153)
Seminars, workshops and other revenues	659,950	505,000	154,950
TOTAL REVENUES	38,126,611	37,478,500	648,111
EXPENDITURES AND TRANSFERS			
Instruction	16,711,669	15,898,990	812,679
Public service	872,984	814,340	58,644
Academic support	2,804,408	3,125,100	(320,692)
Student services	3,663,897	3,634,980	28,917
Administration	4,626,875	4,390,070	236,805
Operation and maintenance of plant	4,310,339	4,280,320	30,019
Technology	2,056,082	2,098,200	(42,118)
TOTAL EXPENDITURES	35,046,254	34,242,000	804,254
Mandatory transfers:			
State and federal matching grants	19,316	20,000	(684)
Other transfers to:			
Designated Fund	185,656	516,500	(330,844)
Major Maintenance and Replacement Fund	1,277,770	1,200,000	77,770
Equipment Replacement Fund	1,596,844	1,500,000	96,844
TOTAL EXPENDITURES AND TRANSFERS	38,125,840	37,478,500	647,340
REVENUES IN EXCESS OF EXPENDITURES AND TRANSFERS	\$ 771	\$ -	\$ 771

See independent auditors' report on supplementary information.